

Mr. LAMBORN. Yes, Representative COFFMAN.

Mr. COFFMAN of Colorado. Congressman LAMBORN, let's talk about that whole thing.

It starts out at 2 percent. As we know, in looking at section 313 of the bill, when we talk about the gross annual payroll of \$250,000 to \$300,000, it's at 2 percent. Then it moves up to 4 percent when going to \$350,000. Then with \$400,000 of gross annual payroll and above, it goes to 8 percent. So it's at 4, 6 and 8 percent.

Many small businesses which cannot afford health care insurance are going to be hit with a penalty of 8 percent. Clearly, they're going to have to make a decision: Either they're going to have to reduce that payroll to be able to pay that tax or they're going to have to close their doors—one of the two.

I think what Washington doesn't understand is that these small businesses are hanging on by their fingernails right now trying to keep their doors open, and unlike the Congress of the United States, they can't simply print money when they don't have it. So this is putting them in an impossible position. I think, simply, that the liberals in this Congress just don't get it. They're just not understanding the stresses of small businesses in America today, small businesses which have been, historically, the greatest job creators in our economy.

I yield back.

Mr. LAMBORN. I thank the gentleman.

Yes, you're right. You're exactly right. There is that 2 to 8 percent surcharge on small business or on individual income, and there's the 8 percent penalty if you don't provide government-approved health care for all of your employees.

So, when you add that all together, like you said, Barack Obama's own economic adviser, Christina Romer, said that there would be about 5 million jobs lost as a result of those tax increases, and this is the worst possible time to have tax increases on small business. Small business is the backbone of our Nation's economy. I think the figure is 72 percent of new jobs created in this country are created through small business.

So, in the middle of a recession, is this the time to be raising taxes? I really don't think so. In Colorado alone, Representative COFFMAN, 16,500 small businesses will be required to pay this surtax.

I yield back.

Mr. COFFMAN of Colorado. At this time, I would like to recognize Congressman GLENN THOMPSON from the State of Pennsylvania.

Congressman THOMPSON, what do you think about this issue in terms of H.R. 3200, which is the Democratic bill before the Congress, and its impact on small business in the State of Pennsylvania?

Mr. THOMPSON of Pennsylvania. Well, it certainly will have.

First of all, I thank my good friends—both of my colleagues from Colorado—and I thank Mr. COFFMAN for hosting this very important session tonight because what we're talking about is truly the economic engine of this country, and that's small business. Small business is so important. It has been and always has been our economic engine. You know, small businesses employ half of the workforce, and they create 72 percent of all new jobs.

Old fables would refer to small businesses as the geese that laid the golden eggs, and last month, unfortunately, we lost 263,000 jobs in this country.

Now, we normally would encourage small business, with incentives, to help the economy and to grow those jobs and to maintain those good family-sustaining jobs—jobs that provide health care benefits in most of those positions. Well, unfortunately, instead, the Democrats are going to tax the few golden eggs that are left and will probably kill the goose.

According to data from the IRS, more than half of those targeted under the Democrats' health care surtax are small business owners. When you look at those businesses that are organized as S corporations or as limited liability corporations, they constitute over 60 percent of individuals who file their taxes as individuals who are making over \$200,000. These are small businesses. Out of those moneys, they pay a payroll every week. Then there will be the \$208 billion in new taxes on businesses that can't afford to pay now for their employees' health care.

I was in the little town of Emporium, which is in Cameron County. It's a great county. It's in the middle of my district. Unfortunately, unemployment there is significant. Cameron County unemployment is among the highest in the Commonwealth of Pennsylvania.

I was there. I was with a young lady who was an entrepreneur. She was somebody who had that American dream, that drive to strive for something better. She had created this small business, and she had a payroll she was maintaining. In fact, it was early in the first couple years of this small business where she was at the point she was willing to sacrifice, and she wasn't taking a salary because she was dedicated to seeing this business be successful and because she was faithful to her employees and to the jobs that she had created. She chooses not to take a salary, and she doesn't offer health care. She would like to, but she can't.

□ 2130

She knows that under the proposals, any kind of mandate, any taxes, any penalties that would be incurred wouldn't result in health care for the employees she has. She wouldn't be able to sustain that business.

Mr. COFFMAN of Colorado. I yield to my fellow Congressman from the State of Colorado, Mr. JARED POLIS.

Mr. POLIS. Sometimes there is common sense that we share across the aisle. I have said from the start, I think this surtax is a bad idea.

To explain it, there is a set tax structure for those of us who haven't—and I have run small businesses, created over several hundred jobs. There is C corps, S corps, and LLCs. When we are talking about increasing this rate, this is the rate that affects S corps and LLCs. Those tend to be the small to midsize businesses, the backbone of America, a lot of family businesses, a lot of stores. I talked to a brewery in my town, those are the types of businesses that we are talking about.

The big corporations pay a tax rate of 35 percent. That is the corporate income tax rate. Currently, the marginal rate for these S corps and LLCs is also that same 35 percent. Now it's scheduled to go up, that rate for S corps and LLCs anyway, because the Bush tax cuts are set to expire.

Now, I support that. I expect that you might oppose that, but that will raise it to 39.6 percent. It is that very same rate that this surcharge is scheduled to impact that would increase it at the margins an additional 5 percent. It would actually go up to 44.6 percent. In many States, that means that small businesses would be taxed at above 50 percent.

Now, I am hopeful that in the final version they will make some adjustments to that surtax. I sure hope they do. But I think it's an excellent point to bring up to show this disparity between what large businesses and corporations are paying, 35 percent, and what our family-owned businesses and small businesses are paying, which could, under the taxation mechanism, be a higher one.

Now, there are several ways to address that. We could, of course, reduce the cost of the bill, and I hope that that's a path that my party takes. There also are alternative payment mechanisms out there, some of which have been discussed in the Senate, some of which have more bipartisan support. I think it's critical, particularly in a recession, but at any time, that we make sure that however we pay for health care is not harmful to small business, which is the goose that laid the golden egg and the job engine that will lead us out of this recession.

Mr. COFFMAN of Colorado. In this proposal, that it is not—I think the Congressman well-stated it as to the issues on the income tax and that this is an additional burden, but this is on the payroll tax. This is a payroll tax. This is whether or not the business is profitable.

The business could be hit hard, could be stressed, losing money, trying to keep his doors open. If it cannot afford health care, then it will be hit with an 8 percent surcharge of its gross annual payroll.

We also have Congressman ROB BISHOP. I yield to Congressman BISHOP to address this issue.

Mr. BISHOP of Utah. I appreciate the gentlemen both from Pennsylvania and our good friends from Colorado, all over the place here from Colorado. If I am going to take you off on a stretch that you don't want to go into, I will stop and you can come back to me later.

I do want to try and hit this particular issue, because there are other options out there which we have not explored. There are those who are saying we have got to do something now, because if we don't do something now, we will lose the opportunity. It doesn't matter what it is, as long as we are doing something. That's not necessarily, I think, true.

If you look at the history and organization of this country, what the Founding Fathers wanted to do, and look at federalism, you will see why that is not necessarily true. The federalism system that we have is in line so that if something has to be uniform throughout this entire country, everyone has to be doing the exact same thing at the exact same moment. We are the only level that can do that.

But if you allow States to become involved in this particular system, these laboratories of democracy, you can have creativity, you can have justice because they are attuned to the demographics of each individual area. What's more important is, if you mess up, you don't destroy the entire country.

On this floor, we have heard of States that have tried to get involved in health care reform who have messed up. We aren't paying for that. There are States who are doing it the right way. I am proud that one of them is my State, because the President admitted and praised Utah in its efforts to do it, and it is going in the exact opposite direction of what we are talking about on the national level.

It is going to a system that is based on consumers getting individuals empowered to make choices in a system that comes up with, first of all, allowing three goals, of allowing real information so that you can allow consumers to prepare and choose and then provide an easy way of enrollment. It's not just about insurance, which I am afraid we end up talking about here in Washington. It's about the cost of health care. Because, let's face it, if we don't control the cost of health care, even with insurance, you still can't afford to do it.

Let me try to tell you exactly what they are doing right there, which is another avenue, which is essential to understanding as to what our opportunities are and what could happen if we go further with what is proposed with many of the leaders of this particular Congress.

Utah is establishing a health exchange, which means any licensed company in Utah can place their programs online. The entire amount of bureaucracy to run this is two State employees. So far, there are 66 individual

plans that are out there. This is its first year, and the pilot program already has 136 small businesses with over 2,000 employees. They average 17 employees in each company going online to use this system. Now, that's important because you have already mentioned the cost that's implied by small business.

Only 43 percent of the small businesses in America provide insurance for their employees because they can't afford it any other way. Utah is even worse—only 32 percent. This is an effort to get around that problem.

What you allow is the workers to choose, not a one-size-fits-all that's chosen by the employer, but a program that fits the workers' needs. They can use that option with pretax dollars. The responsibility is with the consumer who gets an annual choice. With that, there is a pressure to keep prices down and to get quality up because everyone now is a consumer in the system.

Businesses in Utah like this because their overhead of mandatory insurance increases now cease, small businesses especially. The reason they are not giving insurance is they can't handle the insurance price increases. In this process, the worker gets money that the company would be paying and any money they want to use. Then they go into this plan, and from the 66 programs, they get to choose what is there.

Businesses now have a predictable cost of doing business, not arbitrary. Employees, if they don't like the one-size-fits-all, can have the opportunity of finding what they want to do.

It's easy to navigate. You go into a computer system, put age, family size. One thing we don't have today are agents of insurance companies who now work with the employer to try to sell a plan. Now they work with individuals to try and service plans because they have freedom to go after any employee in the entire State.

It's also portable. If you change jobs and the insurance is still in the system, you take your insurance coverage with you. Even if you don't have a job, you can keep that same insurance coverage with you.

There are fewer uninsured, and those that are uninsured, the State of Utah now has a plan to handle this.

This is like when I go to the grocery store and I want to pick cereal. I go down the aisle and there is all these different choices of cereal for me to pick. I always pick the one with almonds because I like almonds, but there are a whole lot of people that don't like almonds. They get the chance to pick their cereal.

It is not the situation in which the government should be telling me what kind of program is right for me. Not even should the business be telling me what kind of program is right for me. I should be able to pick my own program. If you do that, you expand the consumer into the system, which puts

pressure to lower the actual cost of health care. That's the real solution.

Now, the problem is we have some plans being presented both in the Senate and in the House. Those plans crush these State initiatives. Those plans not only cost hundreds of billions of dollars, they decrease choices. They have the potential of raising taxes. They destroy State initiatives. Utah and other States have found a better way.

What we need to do is make sure we have a system that empowers States to be creative to help consumers become involved, and that's not what is being proposed on the floor of this House and in the Senate. What is being proposed would destroy this initiative. It would take it off the table. That's the exact wrong direction.

We need to look at what the Founding Fathers had when they envisioned the concept of federalism and recognize that in federalism, in choice and in options is our salvation. It is the future. We need to embrace that, not a one-size-fits-all government mandate which has enormous impact, as the gentleman has been saying, especially on the small businesses of this country.

Mr. COFFMAN of Colorado. Let me go to Congressman THOMPSON and then we will go to Congressman LAMBORN.

Mr. THOMPSON of Pennsylvania. Well, I thank my good friend from Utah. I feel like I am in the wild, wild west between Utah and Colorado. It is very good to be with you here.

This is a very important topic. It comes down to that very bold sign you have there, Mr. COFFMAN, 5.5 million jobs. That's what we are at the risk of doing, going down the direction we are going, which is not necessary. We have other alternatives. We have other bills, just like the idea that you outlined just a few minutes ago.

We have, as we look, you know, the National Federation of Independent Businesses, just one of the voices for small businesses, have been very clear about what it would like to see in health reform. It would like the ability to pool with other businesses to enjoy the economies of scale in purchasing health insurance. That's a fundamental part of what you just outlined. They want tax credits to be able to help them to be able to afford the insurance. I guess to come back to my opening analysis, but what we have here is an unhappy fable under the Democrats' health care plan in which no small business will live happily ever after.

I come out of a small business. I grew up in a small family sporting goods business. It was my job as a teenager to get up at 6 a.m. on Saturday morning to open the store that was down in the front yard in front of my parents' home where I grew up.

I have to tell you, 6 o'clock in the morning felt like the middle of the night then. I got up because of people coming in for either picking up their supplies for hunting or for fishing, and small business is what we did. I mean, we worked hard at it. My mom and dad had that.

They were looking for the American Dream, and they were willing to put whatever it took into it, the hours and the days. They created jobs and they created prosperity for other people, and they provided benefits for folks that worked for that family business.

I saw the toll that one of the biggest obstacles that ran up against being successful—and I am sad to say that the business does not exist today because those barriers eventually overtook it—it was government. It was government that did that business in, and it's government that's a barrier that impedes many, many of our small businesses. It was the taxes. It was the regulations. It was the mandates. Today we are talking about health care is one more mandate that is put on our small businesses.

Health care costs for small businesses across the country continue to outpace the rate of inflation. We know that we could do a better job of bringing the costs of health care down. But it's the path that we choose that is so important.

The path that the Democrats' plans are on will make matters worse. They will drive many small businesses out of existence, and we will lose jobs, many jobs. We have 5.5 million jobs at risk in this debate. But there are other paths that we can take, such as the ideas outlined by my good friend from Utah that we can take.

There is another bill that we have out there, Putting Patients First Act, H.R. 3400. That's a good plan. It's been introduced. We have been talking about it for some time.

I think the American people really need to know and get to know more about this, because it does so many different things. It allows being able to access across State lines for health insurance. It provides that competition, which is healthy, and which is important. It addresses tort reform.

When we talk about fraud, abuse, and waste of health care, I came out of working in health care for 28 years. We tried, as health care professionals, professionally and ethically, we worked very hard to make sure that we used every health care dollar wisely to treat the patients that are there, to help make them better where we can. One of the largest wastes, I feel, is the cost of medical liability.

□ 2145

Nationwide, we spend \$26 billion annually in medical liability premiums, and in addition to that, the practice of defensive medicine. I understand defensive medicine. If you're practicing as a physician, when you come out of medical school, you may have \$250,000 in loans as a part of that education. If you're a specialist, it may be a half a million dollars.

And because of a lawsuit, and frequently a frivolous lawsuit, you're at risk of losing not just your practice, but your family's home. And because of that, you may order these tests to be

able to treat specifically this patient at this time, but these other tests are ordered and put in the medical record to be able to establish that you followed a standard of care. It's to protect you in the event that you are sued.

Well, that probably is, at a minimum, \$100 billion a year annually in this country. So in terms of wasteful costs in health care that we could bring down, there is \$126 billion annually just by good tort reform.

H.R. 3400 does that. H.R. 3400 provides some commonsense approaches to medical liability and brings down that cost for everybody, which would bring down the cost of health care for our small businesses and individuals all across the Nation.

Mr. COFFMAN of Colorado. Thank you, Congressman THOMPSON.

Congressman LAMBORN, when we look at this, H.R. 3200, it not only says that there could be up to an 8 percent surcharge on a small business that doesn't have health insurance, the schedule goes to 8 percent if they have adjusted gross wages of \$400,000 or more, which isn't a lot for a small business, given the number of employees that it might have, but it also goes beyond that. And it says they have to pay 72.5 percent, at a minimum, of a federally qualified plan under the insurance exchange, and for the family, for a full-time employee, they have to cover about 65 percent. And so what impact is that going to have for your folks in the Fifth Congressional District in Colorado?

Mr. LAMBORN. I thank the gentleman for yielding. That's an excellent question.

Just on Monday, I had a town hall meeting with standing room only. It was packed with 600 people there to listen to and debate and discuss health care. And I'm hearing their—and at other times from small business owners, Representative COFFMAN—and I brought with me some statements that small business owners in my district, which is Colorado Springs and surrounding counties and communities in Colorado, are saying about this Democratic proposal on health care.

Here is from a man who is a registered Democrat, "I do not believe the government can do a better job than the private market in providing health insurance." Another business owner said we need to put a halt to the rampant government spending. The estimated \$1.6 trillion for new government health care on top of all the other crazy government spending will bankrupt the economy and will require a significant raise to our taxes. As the owner of a small business in Colorado Springs, I can't afford to subsidize all of these government programs.

Another business owner said, I am opposed to any health care reform that includes a public option, co-op or any other government involvement by whatever name you may choose. My business training and life experiences have taught me that competition is created in a free market environment

and that government only serves to interfere with this process. I do not agree that a public option will introduce efficiency and lower cost. And he goes on to say we should be buying insurance across State lines. We should have tort reform. We should do some of the free market reforms that we can and should do, instead of H.R. 3200.

Mr. COFFMAN of Colorado. Congressman BISHOP, when we talk about the issue of competition, you have mentioned some innovative things that Utah is doing. But it is amazing to me that right now, by law, we don't allow small businesses to band together for the purchase of health insurance to get the same kind of discounts that large corporations have. We have a law in the Federal books that provides an antitrust exemption for the insurance industry, and small businesses and individuals in particular are limited and can't purchase health insurance across State lines to get the most price-competitive policy, the best quality that they can afford.

What, in your view, is needed to fix this system? Because one of the reasons why we are talking about the public option is because the Democrats are saying there's not competition, there's not adequate competition, and so we have to introduce government into this equation. Is there a free market solution to this?

Mr. BISHOP of Utah. I think you have gone to what I think is the crux of the two paths that are offered to the American people in this session. The one path is about a government option. But the only part about options is the title itself. It actually would be a government program that would then be given the power, by a small group of people, to establish what its competition would be. So what you're doing is having the heavy hand of government establishing what the options will be and giving them to all people whether they want them or not. That is indeed the very problem that small businesses are facing. There are options right now that do not take their needs into account.

What I think we are hearing, and what the gentleman from Pennsylvania talked about in House bill 3400, what Congressman SHADEGG has in his bill and what Congressman RYAN has in his bill is the idea that if you really want to solve this problem, you've got to attack what causes the price of health care to go up, and that is the lack of competition. Having a government option superimposed does not necessarily equate to more competition. In fact, it will lessen that competition; and that's what we are hearing from those who really understand the industry.

Even Margaret Thatcher in 1989 recognized that the health care system of Britain, which is, once again, a one-size-fits-all government mandate, even though there is a private option, does not necessarily help her people. She said it simply meant that once you put the heavy hand of the British Government on them, that it produced fewer

doctors, fewer nurses and that patients, when they wanted to see a doctor, in some cases had to wait a few weeks, in other cases wait a few years, depending on the area in which they were.

Now, what we really need to do is look at other options that are out there that transform the debate so that what we're talking about is empowering individuals to make choices that meet their particular needs. That's what the State of Utah is doing. That's what the Price bill is doing. That's what the Shadegg bill is doing.

And the sad part about our debate is we are not allowed to discuss those on the floor in any form other than in a Special Order in the evening. Look, we weren't here in session on Monday. We only did a few suspensions on Tuesday. We adjourned very early on Wednesday. It was a wonderful day. I was happy to go outside. But we adjourned early.

Those are times in which the Price bill and the Shadegg bill should be brought to the floor and allowed to be debated, discussed and voted on to see if indeed these other kinds of options that we have, these other kind of programs that inspire and empower individuals to make choices for themselves have some merit. That's what we should be doing here. Instead, the entire debate has been moved off the floor, out of committees, behind closed doors. That does not help.

Indeed, you have hit the objective. If we choose the wrong choice and have one Federal program that's going to be superimposed on everyone, we have the chance of doing great harm to our small business, which is the backbone of the American economy with 5 to 6 million people losing their jobs. That's what the danger is. We should have an open and honest debate about these other options which try to look uniquely outside the box, creatively. That's what Congress should be doing. And we're not doing any of that.

I yield back to the gentleman.

Mr. COFFMAN of Colorado. Thank you, Congressman BISHOP.

Congressman THOMPSON, when we talk about the safety net that exists today, and you came from the health care industry, the first bill that the President signed was the SCHIP bill that went four times above the poverty level to provide a public insurance program for children, so that's \$88,000 for a family of four, and States can do income disregards and raise the amount up more; we have Medicaid for the poor and disabled; we've got Medicare for elderly.

In my State, we have 183 community health clinics that, if you look at their Web site for the 2008 annual report, shows that they had about 400,000 patients in 2008, not patient visits, but patients that received preventive care, primary care, dental care and mental health services. This is in a State of 5 million that is publicly funded. Some of it folks can pay as they have the ability to. It's for the uninsured and the underinsured.

We have a high-risk insurance pool in the State of Colorado for everyone who buys an insurance product, pays a premium tax, and part of that goes into a pool for anybody, regardless of their income, that can't qualify for a public program; and irrespective of their pre-existing condition, they receive health insurance that is capped at 140 percent of the average premium price in the State of Colorado.

Can you address to us your view as a former health care professional about the safety net that exists in America?

Mr. THOMPSON of Pennsylvania. Absolutely, and I really appreciate that question. It's been one of the biggest disappointments. I came to this body out of health. I thought I would actually retire from nonprofit community health care, which meant my hospital would have provided me a discount on my nursing home bed. But instead, I have the privilege of coming here to work on behalf of the citizens of Pennsylvania's Fifth District.

And I came here knowing that we've got a pretty good health care system. And we can do better, and we can improve it, and improve on all four principles: access, affordability, quality and patient choice.

So I was excited when the President said we were going to work on health care. And I get here, and do you know what we're working on? We're working on access to health insurance; we're not working on access to quality health care. That's what we should be working on. That's what the American people deserve: we work on things like we've been talking about, H.R. 3400 and the different bills that are presented here that would improve health care in all four dimensions. But instead, we're talking about health care insurance. And I guess I should have had some indication of that when I looked at the individual that was selected.

Mr. COFFMAN of Colorado. Would the gentleman yield for a question?

Mr. THOMPSON of Pennsylvania. Absolutely.

Mr. COFFMAN of Colorado. Representative THOMPSON, the bill, H.R. 3200, strips hundreds of billions of dollars out of the Medicare system, and it effectively shuts down the Medicare Advantage program. The trustees of Medicare have already said that in 2017, not by 2017, but in 2017, Medicare is expected to go broke. So there's solvency issues in Medicare. And yet we're stripping hundreds of billions of dollars out of the Medicare system.

Can you speak to that and its impact on the elderly?

Mr. THOMPSON of Pennsylvania. Sure. Medicare actually is the central component of this debate for many different ways. And let me start with the question that you raised. The Democrats' health care bill, the accounting of it, cuts essentially \$128 billion from Medicare part A. Medicare part A pays for end-patient services. That pays for hospital services. It pays for up to 100 days if an individual, an older adult, is

qualified in a skilled nursing facility, \$128 billion.

I have to tell you that most hospitals I know, and I have probably about 20 hospitals in my congressional district, I would say that my hospitals are like most, many in America, either in rural settings, certainly underserved urban areas. They are lucky to be making a margin of 3 to 4 percent annually. And to cut \$128 billion from part A will certainly impact—I think what it will do actually, it could very easily move towards bankrupting many of these facilities. Certainly Medicare part B, which is the Medicare coverage that individuals choose to purchase. It helps to pay for physician services. It helps to pay for therapy services, if you're an outpatient. And that's scheduled for \$130 billion in cuts for Medicare in order to fund this Democratic health care plan.

The Advantage plan you talked about is Medicare part C. Medicare Advantage is managed care Medicare, and it's essentially a plan where individuals choose to enroll. It gives them a little more flexibility. It provides them a little more coverage. It's a choice that they make. And the Medicare Advantage plan has really been targeted by my Democratic colleagues. And that's scheduled for, within this, \$133 billion in cuts.

Finally, the pharmaceutical program, one of the newest parts of Medicare, Medicare part D, that's the drug benefit that President Bush put in place here a few years ago. Under the Democrat's proposed health care plan, Medicare part D, the pharmaceuticals, the drugs, is scheduled for a cut of \$20 billion, totaling \$411 billion in Medicare cuts. Now, that impacts people. It impacts individual lives. It impacts jobs.

In my district, in a very rural district with rural counties, my hospitals are actually important economic engines. It's a place with some really good jobs. They're economic engines. They buy a lot of resources to operate the hospital. They try to buy them locally to support the local economy. And when you start to make these types of Medicare cuts on facilities, health care facilities that are at best in a banner year making a 4 percent margin, we're talking about closing those. We're talking about losing jobs. And that's not good for anyone.

You never want to see a hospital close. But in a city, you can make, I guess, an argument that if you close one hospital, somewhere in the city, probably within blocks, you'll find another one. In rural America, rural Pennsylvania, if you close a hospital and what you wind up with is a commute, that makes a difference between life and death.

Mr. COFFMAN of Colorado. Would the gentleman yield for a question? Congressman THOMPSON, we talked about cost shifting, and I know clearly there's cost shifting for uncompensated care, but there's also cost shifting for

Medicare and Medicaid. The underfunding of those government programs have done much more in terms of cost shifting on to the private insurance market and have had a big factor in escalating premiums.

□ 2200

But when we talk about how government sets rates, it doesn't set rates really to the market, as a private company would have to do. It can set rates at an artificially low level because it doesn't have to respond to the market.

I wonder if you could address that, and why the public option would destroy private insurance?

Mr. THOMPSON of Pennsylvania. Absolutely. I see three reasons, three primary reasons why commercial health insurance is so expensive. One is we need more competition, and that is allowing a broader pool. I am really interested in learning more about the model in Utah. It is intriguing. It sounds like a great model to look at. But more competition is important.

Secondly, it is the need for tort reform. I talked about those numbers, \$126 billion a year. It drives costs up. It drives the cost of providing care up. Therefore, commercial insurance goes up.

Finally, there is the necessary cost-shifting that occurs. Now, some of my colleagues in this body, particularly across the aisle, when you hear the term "cost shifting," they see that as an evil thing. When you come out of health care, you begin to understand what happens in health care.

I would say the primary reason that health insurance is so expensive is because government creates an entitlement, Medicare, medical assistance, and then from day one, after they created it, discovers they can't afford it and they systematically underfund it.

Let me talk about the numbers specifically. Medicare: For every dollar of cost that a hospital or a physician has, Medicare pays 80 to 90 cents, 80 to 90 percent. If it is medical assistance, that is 40 to 60 cents for every dollar of cost. If you are just operating on Medicare or medical assistance, a hospital and doctor, you could see, they have these costs and this reimbursement, they are not going to keep their doors open very long because they can't cover their costs.

So what they do is negotiate with commercial insurance, and commercial insurance average, average across the Nation, pays at least 140 percent; 140 percent of cost. Now, why do they do that? Well, they do that because in the negotiation process, doctors and hospitals need to achieve that 140 percent from commercial insurance to offset what medical assistance and Medicare, what the government doesn't pay.

So that is where the cost shifting occurs, because if you don't get that higher rate for commercial insurance, you are not going to be able to make payroll. You are not going to be able to invest in lifesaving technology. You

are not going to be able to keep the lights on in the facility.

So, the fact is the government creates these new programs, with the best intentions, I am sure, but quickly finds that the costs are just so tremendous that they begin to systematically underfund those costs.

One of the biggest concerns I have with the public option, as I read H.R. 3200 in the Education and Labor Committee when we marked that bill up, is that the public option would pay Medicare rates. Medicare rates are 80 to 90 percent of costs, 80 to 90 cents for every dollar of cost.

I do believe that the public option will be cheaper than commercial insurance because the public option will also underfund the cost of health care. And if the public option replaces the commercial insurance of today, that really today funds and keeps the lights on and our hospitals operating and our doctors in practice, we are going to lose health care providers.

Mr. COFFMAN of Colorado. Congressman BISHOP, you have talked about some of the health care reform measures before the Congress, some of the Republican measures. I think you referenced one by Congressman SHAD-EGG, and you referenced another one, let's see, Congressman SHADEGG and Congressman PRICE. I think you referenced two Republican health care proposals.

I think that everybody in the Congress agrees that reform is necessary, that the system isn't working as it should, that people are paying too much for health care, that we need to do more for the uninsured. It is a question of how we get there, and do we do a government takeover of the system by inserting a government-controlled health care plan, or are there market-based solutions.

I wonder if you could give your view on how you see reform.

Mr. BISHOP of Utah. I appreciate that, and I think the conversation you have had so far with Congressman THOMPSON is fascinating, because he has explained some of the problem you have when the government steps in to run the system.

If we look back at the history of the Medicaid portion, it does not give us a whole lot of confidence for moving forward and allowing the government to take a larger role in this area. Since Medicaid was founded in 1965, costs have escalated at 2.3 percent higher than the rate of inflation. Today, Medicare costs 37 times what it cost back then after being adjusted for inflation.

So when Congress first established Medicare, they thought it would cost \$238 million a year. That first year it was closer to \$17 billion. They projected by 1990 it would cost \$12 billion. The actual number was more like \$90 billion. And if as the gentleman suggests the government therefore has taken over those particular options and you no longer have this cost-shifting that you can go to the private sec-

tor, the only other option you have in the health care system to try and deal with those real costs—well, you can go bankrupt—but the only other option you have is cutting services that are given, which is why this debate is so significant and why these other bills we are talking about are so important that they be debated here on the floor.

So people can realize that rather than having the government explain what you can and cannot do, if you simply open up the option so individuals have a choice and become part of the system, there is a responsibility of the consumer as part of the system, then these changes can happen.

In every other kind of insurance, you can buy insurance across State lines, for auto, for housing. Why not for medicine? A simple change in the Federal restrictions would allow that to take place. You can pool for almost everything, except in this area. Why not change those restrictions, which is what we are talking about.

Why not allow people to buy their own insurance with pre-tax dollars, not post-tax dollars? Why not simply allow a benefit to the small businesses the way big businesses have for HSAs? These are portable, so when a person leaves the employ of that company they still have a pot of money, and they still have some kind of security with them to go on.

These are the kind of ideas that are going to change the dynamic of the system, because, as has clearly been stated is, all we are talking about so far with leadership's plans they have been presenting is how to assure that everyone has insurance, not how to make health care affordable for all Americans, and the only way you can do that is by allowing the consumers to take responsibility, to have choices, to do the comparison shopping.

That is the entire program in Utah. It is a defined contribution approach. So the employer gives money to the employee, and that employee can then go online and look at everything out there and pick what is important for them, not necessarily what the company is offering. A small business that can't afford to do that can now give the employee money, they can add with their money if they want to, to go out and pick what is available from what are the options out there. And we can even expand that wider. That is the only way you get competition that will have the effect of adding pressure on the system to lower the price and to increase the quality.

We do that all the time. It is cheaper today to get your nose fixed than ever before because it is not covered by insurance. Individuals negotiate with doctors for medical services and the costs have come down. Laser eye surgery is cheaper today than ever before because employees negotiate with doctors and the prices are coming down.

Why don't we allow that system to work in other ways? That is what these other programs are talking about, allowing people to be empowered to

make choices for themselves that they are competent and capable of doing, and with those kind of market forces now in the system, the cost will come down.

But it has never happened when the government has decided to step in and force those costs to come down. It didn't work with Medicare. It hasn't worked in foreign countries. And the real fear is if you are not destroying jobs, you are destroying the quality of health care, because the only other option you are left with is minimizing what can be given to an individual, denying services. That is not where we want to go.

Unfortunately, if we only have this one bill that the leadership wants to put forward here, that is the end result of that bill. We need to beg leadership to allow other debates and other options to be fully vetted on this particular floor.

I may have gone too far off from what your initial question was, but that is still the bottom line. It is we should be empowering people with options and choices. That is not what the leadership of this House is trying to do with their particular bill, and that is why we need to bring these other bills to the floor for open discussion and open debate and an open vote.

I yield back to the gentleman from Colorado.

Mr. COFFMAN of Colorado. Thank you.

Congressman THOMPSON, there is a great deal of discussion, particularly among seniors, that are very concerned about changes in their health care—is their health care specifically going to be rationed? When we look at the fact we are stripping hundreds of billions of dollars out of Medicare to fund the public option, and the fact that Medicare has solvency problems of its own, it is projected to run out of money in 2017, so then we have a commission. If they revert to the public option, the services that are allowed to be provided in the public option are going to be defined by bureaucrats. It is not going to be about a doctor-patient relationship in terms of what is going to be provided. There is a commission, I believe, that is established to decide what services will be provided in the public option.

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And seniors are concerned because 25 percent or more of health care is used in the latest stages of life. And so what does that mean for them? And maybe you could address that.

Mr. THOMPSON of Pennsylvania. Well, thank you. And actually, the commission is a body of individuals. But even more frightening to me is just the one lone bureaucrat, the Health Insurance Commissioner, as defined within House Resolution 3200.

And as we worked our way through this thousand-plus bill in the Education and Labor Committee over a course of 20 hours back in the very end

of July, I found that many times there was so much left undefined, and everything was referred to according to the Health Insurance Commissioner, the Health Insurance Commissioner, the Health Insurance Commissioner.

Well, you know, our health care is, there's probably few things that we could debate on this floor that's more intimate than our health care, and certainly few things that are as large a part of our economy. And our colleagues who were here just the previous hour from the Progressive Caucus talked about how those of us who oppose, those of us who oppose their health care plan, those of us who would support more smart government solutions, more free-market solutions to health care, that we have these scare tactics, and one of them is rationing. Rationing could never occur. Rationing just won't happen. Well, I've got news for them. Rationing happens today. And where does it happen? It happens, first and foremost, under the government plans.

Let me tell you about Medicare part B. You know, part of my background is I've had the privilege of working with older adults for my entire career, in rehabilitation services. The last number of many years of my career, 15 years I worked in skilled nursing as well, and I became licensed as a nursing home administrator. And I've talked briefly about the cuts to Medicare part B.

Medicare part B is slated for additional cuts of \$130 billion. And Medicare part B—think about the individuals who come into a nursing home. They come there because they're the sickest of the sick. They're there because they don't have any other alternatives in terms of the care, the health care that they require. They have intense needs. These are folks who have just a lot of very intense needs. And today, the government, under Medicare part B, if you need therapy services, it arbitrarily puts a number. There's a maximum amount of dollars.

And now I've been out of that for about 10 months, but it was somewhere around \$1,800 a year, \$1,800 to \$1,900 a year of therapy services. Arbitrary number. Now, that's rationing, in my line. You know, it doesn't matter the fact that you have maybe suffered a stroke or you have fallen or you have a debilitating weakness that you develop. Once you max out on that Medicare part B benefit, that's it. That's the upper limit of what you receive. So we have rationing today, and rationing occurs under the current, one of the current government programs for Medicare part B.

So I don't know where you—when you look at—you know, I've worked in the inpatient hospital side for almost 30 years as a part of my practice. As I said, a 2 to 4 percent margin is a banner year, okay? And out of that, you want to be able to, out of that 4 percent, give cost of living adjustments so you continue to retain the best and the brightest.

Personally, if somebody's going to use a scalpel on me, I want them to be the smartest person in the county, and we want to be able to retain, recruit, and retain those individuals. So 4 percent margin. Most of my hospitals, I would say, are probably not doing that well, and most hospitals across the Nation are probably challenged and not doing that well. And then you have skilled nursing facilities where, honestly, nobody's getting rich operating skilled nursing facilities. They're providing good, compassionate care. They're treating people with intense needs, and yet, those are slated for significant cuts.

Specifically, in skilled nursing, \$14.6 billion in designated cuts. Now, this is out of the Senate Finance bill, the Baucus bill, Senator BAUCUS' bill, and so those cuts have to come somewhere, and they're going to come out of services. They're going to come out of—it won't come out of the compassion, because the people that work in those areas, they're truly dedicated to serving the needs of older adults and people with needs. But they will come out of the care. Those dollars have to impact access to services.

Mr. COFFMAN of Colorado. Thank you, Congressman THOMPSON, and thank you Congressman BISHOP. And we had Congressman LAMBORN from Colorado, DOUG LAMBORN earlier, and Congressman POLIS as well talked about these issues. I certainly hope that we can have a bipartisan solution on what I think is a very critical issue, and that really needs to involve both parties of Congress in a negotiation that we don't have right now. And I think that's a great tragedy that it hasn't been a bipartisan process. But I believe that there are market-based solutions that will not endanger this economy in terms of creating unemployment through the burdens on small business and driving the deficit and driving the debt of this country beyond what it is today. And from the Republican point of view, thank you.

#### FISCAL IRRESPONSIBILITY AND LIMITED GOVERNMENT

The SPEAKER pro tempore (Ms. PIN- GREE of Maine). Under a previous order of the House, the gentlewoman from North Carolina (Ms. FOXX) is recognized for 5 minutes.

Ms. FOXX. Madam Speaker, today, during a rule debate, I voiced my concern over the breakneck increase in government spending in the U.S. I warned my fellow Americans that this reckless spending risked turning our country into a South American-style nation with a perpetually frail economy and government. One of my colleagues on the other side of the aisle retorted by highlighting the successes of nations such as Brazil or Argentina. That's very interesting.

Shortly after our exchange, I read that Argentina recently enacted a press restriction law that serves to